



OFFICE MEMORANDUM

DATE: September 28, 2005

TO: Ed Timpf, Division Administrator
Financial Operations Division
Bureau of Finance & Administration

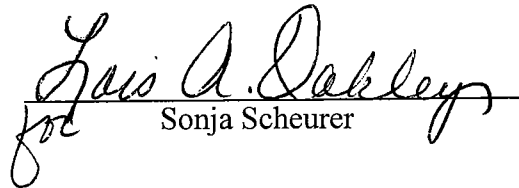
FROM: Sonja Scheurer, Administrative Manager
Operations Administrative Services

SUBJECT: Reporting Requirements for FY 2004-2005
Operating Appropriation Act

In accordance with Act No. 361, Public Acts of 2004, Section 601, the Michigan Department of Transportation is required to report on the status of efforts to develop performance and road construction warranties. The attached document identifies the Department's efforts in FY 2004–2005.

Please feel free to contact me at (517) 335-2258, if you have any questions or need further clarification.

cc: Leon Hank
Myron Frierson
File


for Sonja Scheurer

PERFORMANCE AND ROAD CONSTRUCTION WARRANTIES FY 2004-2005

The Michigan Department of Transportation (MDOT) continues to work with the road construction industries and its many other customers to develop performance and road construction warranties for construction projects as required by Act 361, Public Acts of 2004. In 2004, 68 participants including representatives from MDOT, FHWA, industry, local agencies, consultants, and academia, assembled for the 2004 Strategic Forum on Quality and Warranties. Conclusions drawn from the forum were that warranties, if properly structured and administered, would improve quality on Michigan highways, by:

- Drawing contractor's attention to quality during construction
- Eliminating the true lemons and premature failures
- Allowing MDOT to optimize the use of a limited inspection work force
- Allowing MDOT to better address public concerns with quality work
- Fostering innovation with new materials and processes
- Increasing the contractor's awareness to those factors that most influence product performance

As a result of this forum, a warranty task force was formed consisting of members from industry, MDOT, FHWA, and consultants. The task force, through a series of sub task forces, has been working on a number of issues including local agencies' use of warranties, development of a decision tree for warranty use, pass through bonding, guarantees in lieu of warranty bonds, and superior performing pavement incentive warranties.

MDOT has let an additional 150 plus warranty projects in the various categories since its last reporting. As reported last year, the Statewide Warranty Administration Database (SWAD) is in place giving both MDOT staff and contractors the ability to monitor the status of warranty projects. An important aspect of the warranty program is the tracking and monitoring of warranty projects. The SWAD meets those tracking and monitoring needs.

MDOT will continue to explore new and innovative ways in order to provide the highest quality integrated transportation services for economic benefit and improved quality of life for all of our customers.